



**METROPOLITAN
TRANSPORTATION
COMMISSION**

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Memorandum

TO: Partnership Technical Advisory Committee

DATE: May 14, 2004

FR: Rebecca Long

RE: May Revise Update

The May Revise of the FY 2004-05 state budget released yesterday afternoon provides some welcome good news for transportation. This memo provides a brief summary of the highlights.

Proposition 42: Loan Instead of Full Suspension

The Administration proposes to fully suspend Proposition 42, but indicates that the suspension will now be a loan that will be repaid by FY 2007-08. It is unknown exactly how much revenue is anticipated to be generated by Proposition 42 in FY 2004-05, but given gasoline prices over the last six months, it is likely to be far in excess of the initial \$1.1 billion January estimate. The new revenue provided for transportation constitutes early repayment of prior Proposition 42 loans to the General Fund. The Administration indicates that General Fund revenues have been freed up by an improving economy and anticipated Indian gaming revenues, and that repayment of outstanding transportation loans will be the main beneficiary of any additional gaming revenues.

State Transit Assistance Increased

The May Revise raises the funding level for State Transit Assistance (STA) from \$101.5 million to \$117.4 million, an increase of 16 percent. This amount does not include the "spillover," which the Administration proposes to direct to the Traffic Congestion Relief Program (TCRP), as described in further detail below.

Traffic Congestion Relief Program Cash Flow Needs Met; No Elimination of Program

In contrast to the January budget, which proposed to eliminate the TCRP altogether and transfer any outstanding funds to the General Fund, the May Revise provides \$163 million to meet cash flow needs of all existing TCRP allocations. With regard to future allocations, the Administration proposes that the Business, Transportation and Housing Agency, in cooperation with the California Transportation Commission, conduct a review based on certain criteria (economic impact, goods movement, leveraging of other funds) to determine which projects receive future funding. Although the TCRP capital projects will receive funding, no new Proposition 42 funding is proposed for either the transit operating assistance or local road subvention components of the program.

Early Repayment of SHA and PTA Loans

The Governor's May Revise proposes to repay the State Highway Account (SHA) \$184 million in loans made to the Traffic Congestion Relief Fund (TCRF). This funding will provide for new programming capacity in the State Transportation Improvement Program (STIP), which was facing no new programming for the next five years. In addition, early repayment is proposed for the Public Transportation Account (PTA), which would receive \$36 million from the TCRF. Although this funding should be split 50/50 between capital and operations (STA), the Administration indicates its intent for this to be used exclusively for capital expenditures. The table below details the proposed funding changes.

TCRF	PTA	SHA
+ \$243 (from General Fund)		
+ \$140 (from "spillover")		
- \$184 (to SHA)		
- \$36 (to PTA)		
Net: + \$163	+ \$36	+ \$184

Dollars in Millions

Diversion of Spillover Revenues to TCRP

Because of high gasoline prices and a relatively slow economic recovery, the spillover calculation is very high this year. (The calculation is the difference between a 4.75% tax on all sales *including* gasoline and a 5% tax on all sales *excluding* gasoline.) Instead of following existing statute and depositing all spillover revenues, estimated to be \$175 million, in the Public Transportation Account, the Governor proposes to deposit \$140 million of these revenues in the TCRF. It is not yet clear what is proposed for the remaining \$35 million.

Increase in Caltrans Staffing and Contracting Out

The Administration proposes to increase Caltrans personnel years by 306 and contracting out staffing by 726, for a cost of \$180 million relative to the Governor's proposed January budget. Relative to the current year, the change is an increase of 63 staffing positions and 500 contracting out positions. An additional 89 positions are also proposed for toll operations, traffic management and maintenance.

Withdrawal of Proposal to Reimburse General Fund Bonds

The May Revise withdraws its January proposal to reimburse the General Fund \$406 million for the cost of debt service related to General Obligation bonds passed by the voters in the 1990s for rail transit improvements.

Deal With Local Government Takes BART & AC Transit Property Tax Funds

In addition to the specific transportation proposals in the May Revise, the Administration's deal with the California State Association of Counties and the League of California Cities includes a two-year 40 percent shift of multi-county special district property tax revenues to the General Fund. For BART, this amounts to \$9.2 million annually, while for AC Transit, this amounts to \$20 million annually.

